

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
TO THE KENTUCKY DEPARTMENT OF EDUCATION**

**A-133 DESK REVIEWS
FISCAL YEAR 2008-2009 AUDIT REPORTS**



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INDEPENDENT ACCOUNTANT'S REPORT
ON AGREED-UPON PROCEDURES

We have performed the procedure below, which was agreed to by the Kentucky Department of Education (KDE), solely to assist KDE in assuring that audit reports submitted by school districts and other entities meet applicable reporting standards and Office of Management and Budget (OMB) Circular A-133 reporting requirements. KDE's management is responsible for collecting the audit reports and performing any necessary follow-up work identified in the procedures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedure was to conduct desk reviews of all Kentucky school district and other entity audit reports for fiscal year 2008-2009, defined by KDE to be the appropriate population for the desk review. This was accomplished by using a Uniform Guide for Initial Review of A-133 Audit Reports (see Appendix A of this report for a copy of the desk review guide).

The results of our procedure indicated various deficiencies in the audit reports. The deficiencies were sent to KDE management for corrective action. The Audit Report Tracking Log in Appendix B lists the audit reports reviewed and findings noted.

We were not engaged to and did not conduct an audit, the objectives of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of KDE and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

June 1, 2010



APPENDIX A

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Item #	Standards/Requirements	Page	Checklist Reference	Acceptable	Technically Deficient	Substandard
I	Prior Year's Findings and Other Items	4	I A - D			
II	Qualifications and Independence	4	II			
III	Reporting					
A	Independent Auditor's Report	5	III A 1 - 5			
B	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with GAS	7	III B 1 - 18			
C	Report On Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133	10	III C 1 - 26			
D	Schedule of Expenditures of Federal Awards	13	III D 1			
E	Schedule of Findings and Questioned Costs	14	III E 1 - 3			
F	Corrective Action Plan	16	III F 1 - 3			
G	Summary Schedule of Prior Audit Findings	16	III G 1			
H	Management Letter	16	III H 1 - 2			

Acceptable. This means the audit report contains no deficiencies or only minor deficiencies not requiring any changes or corrective action for the current audit.

Technically Deficient. This means the audit report contains deficiencies requiring corrections that do not make the report unusable for fulfilling one or more objectives of the audit.

Substandard. This means the audit report contains significant deficiencies that make the report unusable for fulfilling one or more objectives of the audit.

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits

Review Item

Yes No N/A Ref.

I. PRIOR YEAR'S FINDINGS AND OTHER ITEMS

Review last year's audit report and desk review files if the prior year desk review was performed by APA and note anything that might impact this year's review.

- A. Are all prior year's desk review findings corrected in the current year's audit report if the prior year desk review was done by APA?

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- B. Do the financial statements (Statement of Activities and Statement of Revenues, Expenses, and Changes in Net asset) reference "for the year ended"? *[NOTE: Is this a 12-month audit? If not, investigate differences. This could indicate a change in year-end and you may need an additional financial statement for prior months. All school Finance Audits are all one year audits.]* (OMB Circular A-133 __.310)

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- C. Compare the current year's financial statement with last year's financial statement. Does the ending balance of net assets (Fund Balance) on last year's basic financial statement agree with the beginning balance of the current year's basic financial statement? *[NOTE: If not, check whether there is a note for restated balance(s). The auditor may need to check online or our prior year file to review last year's financial statement. If the auditor is unable to locate the last year's financial statement from the website or the prior year file, check N/A.]*

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- D. Review notes to financial statements:

1. Are there grants receivable or unearned grant revenue? *[NOTE: There are always grant receivables and unearned income in district audits because districts have to zero out the special revenue fund because of the way the software works.]*

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2. Based on review of financial statement notes is there further analysis necessary?

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II. QUALIFICATION AND INDEPENDENCE

Is the report free of indications that the author is not independent or is not qualified to perform the audit? *[NOTE: If a question arises concerning the licensing of a public accountant, State-licensing authorities should be able to provide the necessary information.]* (AU 210.01-.05, 220.01-.07; GAS 3.03-3.25)

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UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

Review Item

Yes No N/A Ref.

III. REPORTING

The reporting section of this guide is organized in accordance with the recommended reporting format contained in AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*. Other reporting formats containing the required elements are acceptable. Reports may be combined or separated.

A. Independent Auditor's Report (*Opinion on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information*)

- | | | | | | |
|----|---|--|--|--|--|
| 1. | Do the basic financial statements reflect the financial position, results of operations or changes in net assets, and, where appropriate, the cash flows of the entity for the fiscal year audited, or was the auditor's report appropriately modified? (OMB A-133 _ .310(a); AICPA Audit Guide 6.09; GASB 34 (paragraph 8) Requires MD & A for governmental financial statements.) | | | | |
| 2. | Are the financial statements mathematically correct? [<i>NOTE: Foot and cross-foot the financial statements and note any exceptions.</i>] | | | | |
| 3. | The report on the financial statements must contain the basic elements as listed below: (AU 508.08, 551.06, 623.05; OMB A-133 _ .505(a); AICPA Audit Guide 4.22) | | | | |
| a. | A title that includes the word <i>Independent</i> . (AICPA Audit Guide 4.22a) | | | | |
| b. | A statement that the financial statements identified in the report were audited. (AU 508.08 b; GAS 5.01-5.09; AICPA Audit Guide 4.22b) | | | | |
| c. | A statement that the financial statements are the responsibility of the auditee's management and that the auditor's responsibility is to express an opinion on the financial statements based on his or her audit. (AU 508.08d; GAS 5.01-5.09; AICPA Audit Guide 4.22c) | | | | |

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

Review Item		Yes	No	N/A	Ref.
d.	A statement that the audit was conducted in accordance with GAAS and an identification of the United States of America as the country of origin of those standards (for example, auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards) and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States and (per the Independent Auditor's Contract) the provisions of OMB Circular A-133 (if applicable), Audits of States, Local Governments, and Non-Profit Organizations, <i>Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract - General Audit Requirements, and Appendix II to the Independent Auditor's Contract - State Audit Requirements</i> . (AU 508.08d; AICPA Audit Guide 4.22d; Independent Auditor's Contract Appendix I 5)				
e.	A statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. (AU 508.08e; AICPA Audit Guide 4.22e)				
f.	A statement that an audit includes: (AU 508.08f; AICPA Audit Guide 4.22f)				
	(1) Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.				
	(2) Assessing the accounting principles used and significant estimates made by management.				
	(3) Evaluating the overall financial statement presentation.				
g.	A statement that the auditor believes that the audit provides a reasonable basis for his or her opinion. (AU 508.08g; AICPA Audit Guide 4.22g)				
h.	An opinion on whether the financial statements are fairly presented, in all material respects, in conformity with GAAP. [NOTE: The opinion should include an identification of the United States of America as the country of origin of those accounting principles.] (AU 508.08h; AU 623.05e; AICPA Guide 4.22h)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

Review Item		Yes	No	N/A	Ref.
i.	A reference to the separate report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters prepared in accordance with <i>Government Auditing Standards</i> , which includes a statement that the purpose of the report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The reference also should include a statement that the separate report is an integral part of an audit performed in accordance with <i>Government Auditing Standards</i> and important for assessing the results of the audit. If the reporting on internal control over financial reporting and on compliance and other matters is included in the report on the financial statements, the reference to the separate report is not required. (AICPA Guide 4.22i)				
j.	A description of the accompanying supplementary information (i.e., Schedule of Expenditures of Federal Awards). (Note: This may appear as a separately submitted audit document or be part of the basic financial statements.) (AU 551.06b; AICPA Audit Guide 12.12a)				
k.	An opinion on whether the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. (Note: This may appear as a separately submitted audit document or be part of the basic financial statements.) (AU 551.06d; AICPA Audit Guide 12.12c)				
l.	The manual or printed signature of the auditor's firm. (AU 508.08i AICPA Guide 4.22j)				
m.	The date of the audit. (AU 508.08j AICPA Audit Guide 4.22k)				
B. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with GAS					
The report(s) on compliance and internal control over financial reporting shall contain the following required elements:					
1.	A statement that the auditor has audited the financial statements of the auditee and a reference to the auditor's report on the financial statements, including a description of any departure from the standard report. (AICPA Guide 4.28a)				
2.	A statement that the audit was conducted in accordance with GAAS and an identification of the United States of America as the country of origin of those standards and with standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States. (AICPA Guide 4.28b)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

	Review Item	Yes	No	N/A	Ref.
	Also, a statement that the audit was conducted in accordance with <i>Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract - General Audit Requirements and Appendix II to the Independent Auditor's Contract - State Audit Requirement</i> , which may be combined with the statement above. (Independent Auditor's Contract Appendix I 5)				
3.	A statement that in planning and performing the audit, the auditor considered the auditee's internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting, and accordingly, does not express an opinion on the effectiveness of the auditee's internal control over financial reporting. (AICPA Guide 4.28c)				
4.	The definition of control deficiency and significant deficiency. (AICPA Audit Guide 4.28d)				
5.	If applicable, a statement that deficiencies were identified that are considered to be significant deficiencies in internal control over financial reporting. (GAS 5.11-5.13; AICPA Guide 4.28d)				
6.	A statement that the auditor's consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be significant deficiencies or material weaknesses. (AICPA Guide 4.28e)				
7.	If significant deficiencies are noted, a statement that certain deficiencies in internal control over financial reporting were identified that the auditor considers to be significant deficiencies. (AICPA Guide 4.28e)				
8.	If applicable, a description of the significant deficiencies identified or a reference to a separate schedule in which significant deficiencies, views of responsible officials, and their planned corrective action are described. (AICPA Guide 4.28f)				
9.	The definition of a material weakness. (AICPA Guide 4.28g)				
10.	If no significant deficiencies are identified, a statement that no material weaknesses were noted. If significant deficiencies were noted, a statement that the auditor's consideration of internal control over financial reporting would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and a statement about whether the auditor believes any of the significant deficiencies noted are material weaknesses. (AICPA Guide 4.28h)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

	Review Item	Yes	No	N/A	Ref.
11.	If applicable, a statement that "In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in <i>Appendix II of the Independent Auditor's Contract - State Audit Requirements</i> ." [NOTE: This statement may appear on the report on A-133 audit.] (Independent Auditor's Contract Appendix II 11(w))				
12.	A statement that as part of obtaining reasonable assurance about whether the auditee's financial statements are free of material misstatement, the auditor performed tests of the auditee's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. (AICPA Guide 4.28i)				
13.	A statement that providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion. (AICPA Guide 4.28j)				
14.	A statement that notes whether the results of tests disclosed instances of noncompliance or other matters that are required to be reported under <i>Government Auditing Standards</i> and, if they are, describes the instances of noncompliance and other matters (including the views of responsible officials and their planned corrective action) or refers to the separate schedule in which the noncompliance and other matters, views of responsible officials, and their planned corrective action are described.				
	When the views of responsible officials are included (auditee's written response), also include a statement that the auditor did not audit the auditee's response and, accordingly, expresses no opinion on it. (AICPA Guide 4.28 k)				
15.	If applicable, a statement that additional matters were communicated to the auditee in a management letter. (AICPA Guide 4.28 l)				
16.	A separate paragraph at the end of the report stating that the report is intended solely for the information and use of management, [<i>identifying the body or individuals charged with governance</i>], others within the entity, and [<i>identifying the legislative or regulatory body</i>] and is not intended to be and should not be used by anyone other than these specified parties. For an audit in accordance with Circular A-133, this reference should also include federal awarding agencies and, if applicable, pass-through entities. (AICPA Guide 4.28 m and footnote 29)				
17.	The manual or printed signature of the auditor's firm. (AICPA Guide 4.28n)				
18.	The date of the auditor's report. [NOTE: This date should be the same as the <i>Independent Auditor's Report on the financial statements</i> .] (AICPA Guide 4.28 o)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

Review Item		Yes	No	N/A	Ref.
C. Report On Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133					
The basic elements of the auditor's standard Report on Compliance With Requirements Applicable to Each Major Program and on the Internal Control Over Compliance in Accordance With OMB Circular A-133, as amended in a <i>Federal Register</i> Notice on June 26, 2007, are in the following listing: (AICPA Audit Guide 12.23)					
1.	A statement that the auditor has audited the compliance of the auditee with the types of compliance requirements described in the <i>OMB Circular A-133 Compliance Supplement</i> that are applicable to each of its major programs. (AICPA Guide 12.23a)				
2.	A statement that the auditee's major programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. (AICPA Audit Guide 12.23b)				
3.	A statement that compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the auditee's major federal programs is the responsibility of the auditee's management, and that the auditor's responsibility is to express an opinion on the auditee's compliance based on the audit. (AICPA Audit Guide 12.23c)				
4.	A statement that the audit of compliance was conducted in accordance with GAAS and an identification of the United States of America as the country of origin of those standards, the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, and Circular A-133. (AICPA Audit Guide 12.23d)				
5.	A statement that the audit was conducted in accordance with <i>Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract - General Audit Requirements, and Appendix II to the Independent Auditor's Contract - State Audit Requirements</i> , which may be combined with the statement above. (Independent Auditor's Contract Appendix I 5)				
6.	A statement that those standards and Circular A-133 require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred. (AICPA Audit Guide 12.23e)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

	Review Item	Yes	No	N/A	Ref.
7.	A statement that an audit includes examining, on a test basis, evidence about the auditee's compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances. (AICPA Audit Guide 12.23f)				
8.	A statement that the auditor believes that the audit provides a reasonable basis for the auditor's opinion. (AICPA Audit Guide 12.23g)				
9.	A statement that the audit does not provide a legal determination of the auditee's compliance with those requirements. (AICPA Audit Guide 12.23h)				
10.	If instances of noncompliance are noted that result in an opinion modification, a reference to a description in the accompanying schedule of findings and questioned costs is made and includes: <i>[NOTE: If no instances of noncompliance, this would be N/A]</i> (AICPA Guide 12.23i)				
a.	The reference number(s) of the finding(s).				
b.	An identification of the type(s) of compliance requirements and related major program(s).				
c.	A statement that compliance with such requirements is necessary, in the auditor's opinion, for the auditee to comply with the requirements applicable to the program(s).				
11.	An opinion on whether the auditee complied, in all material respects, with the types of compliance requirements that are applicable to each of its major federal programs. (AICPA Audit Guide 12.23 j)				
12.	If applicable, a statement that the results of the auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with Circular A-133 and a reference to the schedule of findings and questioned costs in which they are described. (AICPA Audit Guide 12.23k)				
13.	A statement that the auditee's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. (AICPA Audit Guide 12.23 l)				
14.	A statement that in planning and performing the audit, the auditor considered the auditee's internal control over compliance with requirements that could have a direct and material effect on a major federal program, to determine the auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. (AICPA Guide 12.23m)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

	Review Item	Yes	No	N/A	Ref.
15.	The definition of control deficiency and significant deficiency. (AICPA Guide 12.23 n)				
16.	If applicable, a statement that deficiencies were identified that are considered to be significant deficiencies in internal control over compliance. (AICPA Guide 12.23 n)				
17.	If applicable, a reference to a description of significant deficiencies identified in the accompanying schedule of findings and questioned costs, including the reference number of the finding(s). (AICPA Guide 12.23 o)				
18.	If no significant deficiencies are identified, a statement that the auditor's consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be significant deficiencies or material weaknesses. (AICPA Guide 12.23p)				
19.	If significant deficiencies are identified, a statement that the auditor's consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies or material weaknesses and a statement that certain deficiencies were identified that are considered to be significant deficiencies (and, if applicable, material weaknesses). (AICPA Guide 12.23p)				
20.	The definition of a material weakness. (AICPA Guide 12.23q)				
21.	If applicable, a statement about whether the auditor believes any of the significant deficiencies identified are material weaknesses and, if they are, a reference to a description of the material weaknesses in the schedule of findings and questioned costs, including the reference number of the finding(s). (AICPA Guide 12.23r)				
22.	If there are no significant deficiencies identified, a statement that no material weaknesses were identified. (AICPA Guide 12.23r)				
23.	If applicable, a statement that the auditee's response to the findings identified in the audit are described in the accompanying schedule of findings and questioned costs, and that the auditor did not audit the auditee's response and, accordingly, expresses no opinion on it. (AICPA Guide 12.23s)				
24.	A separate paragraph at the end of the report stating that the report is intended solely for the information and use of [<i>identify the body or individuals charged with governance</i>], others within the entity, [<i>identify the legislative or regulatory body</i>], federal awarding agencies and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. (AICPA Guide 12.23t)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

	Review Item	Yes	No	N/A	Ref.
25.	The manual or printed signature of the auditor's firm. (AICPA Guide 12.23u)				
26.	The date of the auditor's report. (AICPA Guide 12.23v)				
D.	Schedule of Expenditures of Federal Awards				
1.	OMB Circular A-133 requires the auditee to prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule should include: (A-133 _ 310 (b); AICPA Audit Guide 7.10):				
a.	A list of individual federal programs by federal agency. For federal programs included in a cluster of programs, list individual federal programs within a cluster of programs. <i>NOTE: The cluster may be identified as just a sub-total or may include the cluster name on the sub-total line.</i> For R & D, the total federal awards expended should be shown either by individual award or by federal agency and major subdivision within the federal agency. e.g., the National Institutes of Health is a major subdivision in the Department of Health and Human Services (the federal agency). <i>[NOTE: The auditor may go to the OMB Circular A-133 website to obtain clusters information.]</i> (AICPA Guide 7.10)				
b.	For federal awards received as a subrecipient, include the name of the pass-through entity and the identifying number assigned by the pass-through entity. (AICPA Guide 7.10)				
c.	The total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA information is not available. <i>[NOTE: Although not required, the auditee may choose to provide other information that is requested by federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a federal program has multiple award years, the auditee may choose to list the amount of federal awards expended for each award year separately, if so requested by a federal agency.]</i> (AICPA Guide 7.10 & 7.11)				
d.	Notes that describe the significant accounting policies used in preparing the schedule. (AICPA Guide 7.10)				
e.	For federal awards received as a pass-through entity, identify, to the extent practical, the total amount provided to subrecipients from each federal program. (AICPA Guide 7.10)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

Review Item		Yes	No	N/A	Ref.
f.	Include, in either the schedule or a note to the schedule, the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year (not applicable for school districts), and loans or loan guarantees (not applicable for school districts) outstanding at year-end. <i>[NOTE: All school districts except Anchorage should have commodities (usually identified as CFDA 10.550) under USDA. There is no other non-cash assistance.]</i> (AICPA Audit Guide 7.10 & 7.18)				
E. Schedule of Findings and Questioned Costs					
Circular A-133 requires the auditor to prepare a schedule of findings and questioned costs, which shall include the following three components: (OMB A-133 __.505 (d))					
1.	A summary of the auditor's results, which shall include: (OMB A-133 __.505 (d) (1); AICPA Audit Guide 12.32a)				
a.	The type of report the auditor issued on the financial statements of the auditee (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion). (AICPA Audit Guide 12.32a)				
b.	Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such deficiencies were material weaknesses. (AICPA Audit Guide 12.32a)				
c.	A statement on whether the audit disclosed any noncompliance that is material to the financial statements of the auditee. (AICPA Audit Guide 12.32a)				
d.	Where applicable, a statement that significant deficiencies in the internal control over major programs were disclosed by the audit and whether any such deficiencies were material weaknesses. (AICPA Audit Guide 12.32a)				
e.	The type of report the auditor issued on compliance for major programs (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion). (AICPA Audit Guide 12.32a)				
f.	A statement on whether the audit disclosed any audit findings that the auditor is required to report under section 510(a) of Circular A-133. (AICPA Audit Guide 12.32a)				
g.	An identification of major programs. <i>[NOTE: Certain clusters of federal programs should be treated as one program when determining major programs. The auditor may go to the OMB Circular A-133 website to obtain clusters information.]</i> (AICPA Audit Guide 12.32a and 5.09)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

Review Item		Yes	No	N/A	Ref.
h.	The dollar threshold used to distinguish between type A and type B programs as described in section 520(b) of Circular A-133. (AICPA Audit Guide 12.32a)				
i.	A statement on whether the auditee qualified as a low-risk auditee under section 530 of Circular A-133. (AICPA Audit Guide 12.32a)				
2.	Findings related to the financial statements that are required to be reported in accordance with <i>Government Auditing Standards</i> . (GAS 5.11-13; AICPA Audit Guide 12.32b)				
a.	Significant deficiencies in internal control over financial reporting. (AICPA Audit Guide 12.33)				
b.	All instances of fraud and illegal acts unless clearly inconsequential, except for fraud and illegal acts involving federal awards that are subject to Circular A-133 reporting and that are not material to financial statement amounts. (AICPA Audit Guide 12.33)				
c.	Material violations of provisions of contracts and grant agreements. (AICPA Audit Guide 12.33)				
d.	Material abuse. (AICPA Audit Guide 12.33)				
e.	Significant deficiencies consist of a statement of the deficiency(ies), the criteria for the significant deficiency(ies), the cause of the deficiency(ies), the effect of the deficiency(ies), a recommendation for correction(s) and management's response to the recommendation. (Independent Auditor's Contract Appendix I 7)				
3.	Findings and questioned costs for federal awards, which is required to include audit findings as defined in section 510(a) of Circular A-133 and which should include certain findings of abuse as required by <i>Government Auditing Standards</i> . (AICPA Audit Guide 12.32c)				
a.	Significant deficiencies consist of a statement of the deficiency(ies), the criteria for the significant deficiency(ies), the cause of the deficiency(ies), the effect of the deficiency(ies), a recommendation for correction(s) and management's response to the recommendation. (Independent Auditor's Contract Appendix I 7)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

	Review Item	Yes	No	N/A	Ref.
F.	Corrective Action Plan				
	The auditee is required to prepare a corrective action plan that addresses each of the current-year audit findings. The corrective action plan should include the reference numbers the auditor assigns to the audit findings in the schedule of findings and questioned costs. The corrective action plan shall include the following for each finding: <i>[Note: This section is Not Applicable to Management Letters or Financial Statement findings. It applies to Single Audit Federal Award findings only.]</i> (A-133 __.315(c); AICPA Audit Guide 12.41)				
1.	The names of the contact person(s) responsible for corrective action. <i>[NOTE: The auditee contact person(s) responsible for the corrective action is assumed to be the Superintendent if not identified.]</i> (OMB A-133 __.315 (c))				
2.	The corrective action planned or reasons that corrective action is not required. (OMB A-133 __.315 (c))				
3.	Anticipated corrective action completion date(s). (Required by OMB A-133 __.315 (c) but not required by Yellow Book)				
G.	Summary Schedule of Prior Audit Findings				
1.	Is a summary schedule of prior audit findings in the report? <i>[NOTE: The auditee is required by KDE to prepare a summary schedule of prior audit findings even if there are no matters reportable therein.]</i> (Independent Auditor's Contract Appendix I 15)				
H.	Management Letter				
1.	Does the management letter report on the status of previous management letter comments and the progress toward the resolution of concerns identified during the preceding audit? <i>[NOTE: For this step, the auditor may look at the prior year management letter to see if there were previous comments.]</i> (Independent Auditor's Contract Appendix I 7)				
2.	Do other matters conveyed in a management letter include a statement of deficiency(ies), the criteria for the deficiency(ies), the cause of the deficiency(ies), the effect of the deficiency(ies), a recommendation for correction(s) and management's response to the recommendation? (Independent Auditor's Contract Appendix I 7)				

UNIFORM GUIDE FOR INITIAL REVIEW OF A-133 AUDIT REPORTS

Desk Review Guide for OMB A-133 Audits (Continued)

REFERENCES	
	References are provided to enable the reviewer to refer to relevant standards and requirements. The reviewer should be familiar with the requirements and standards and have them available when performing the desk review. Below are abbreviations used to reference the requirements and standards:
A-133	OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>
AICPA Audit Guide	AICPA Audit Guide, <i>Government Auditing Standards and Circular A-133 Audits</i>
AU	<i>Codification of Statements on Auditing Standards</i> , promulgated by the American Institute of Certified Public Accountants (AICPA)
Contract	Kentucky Department of Education contract with the agency/vendor
GAAS	Generally Accepted Auditing Standards
GAAP	Generally Accepted Accounting Principle-Audited Financial Statements are required to follow GAAP.
GAS	<i>Government Auditing Standards</i> (2003 Revision) published by the General Accounting Office (GAO) (also known as the Yellow Book)
GASB	Governmental Accounting Standards Board

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APPENDIX B

APPENDIX B
AUDIT REPORT TRACKING LOG

The results of the review, organized by the standards and requirements of the desk review guide, are listed below by school district. Specific information has been provided to KDE for informational purposes.

A checkmark (✓) in the any of the first ten columns indicates a deficiency was noted on the desk review guide in the area marked. The last column in the table indicates if any of the Standard/Requirement areas was classified as acceptable, technically deficient, or substandard in any one of the ten Standard/Requirements areas.

A = Acceptable. This means the audit report contains no deficiencies or only minor deficiencies not requiring any changes or corrective action for the current audit.

TD= Technically Deficient. This means the audit report contains deficiencies requiring corrections that do not make the report unusable for fulfilling one or more objectives of the audit.

S = Substandard. This means the audit report contains significant deficiencies that make the report unusable for fulfilling one or more objectives of the audit.

School District or Other Entity	I. Prior Year Findings & Other Matters	II. Qualification & Independence	IIIA. Reporting - Independent Auditor's Report	IIIB. Reporting - GAAS	IIIC. Reporting - A-133	IIID. Reporting - Schedule of Expenditure of Federal Awards	IIIE. Reporting - Schedule of Findings & Questioned Costs	IIIF. Reporting - Corrective Action Plan	IIIG. Summary Schedule of Prior Audit Findings	IIIH. Management Letter	Conclusion
Adair County School District	✓		✓	✓		✓				✓	TD
Allen County School District	✓		✓	✓						✓	A
Anderson County School District	✓					✓	✓			✓	A
Ballard County School District	✓									✓	A
Barren County Board of Education			✓	✓							A
Bath County School District	✓		✓	✓	✓	✓					A
Bell County School District	✓			✓	✓	✓				✓	TD
Boone County School District	✓			✓	✓	✓	✓			✓	A
Bourbon County School District	✓			✓							A
Boyd County School District	✓		✓	✓		✓				✓	A
Boyle County School District	✓		✓	✓						✓	A
Bracken County School District	✓			✓	✓	✓				✓	A
Breathitt County School District				✓		✓	✓			✓	S
Breckinridge County School District										✓	A
Bullitt County School District				✓							A
Butler County School District	✓		✓	✓	✓	✓					A
Caldwell County School District	✓			✓							A

APPENDIX B
AUDIT REPORT TRACKING LOG

School District or Other Entity	I. Prior Year Findings & Other Matters	II. Qualification & Independence	IIIA. Reporting - Independent Auditor's Report	IIIB. Reporting - GAAS	IIIC. Reporting - A-133	IIID. Reporting - Schedule of Expenditure of Federal Awards	IIIE. Reporting - Schedule of Findings & Questioned Costs	IIIF. Reporting - Corrective Action Plan	IIIG. Summary Schedule of Prior Audit Findings	IIIH. Management Letter	Conclusion
Calloway County School District	✓			✓							A
Campbell County School District	✓		✓	✓		✓				✓	A
Carlisle County School District	✓									✓	A
Carroll County Board of Education	✓		✓	✓						✓	A
Carter County School District	✓			✓	✓	✓	✓				A
Casey County School District	✓			✓	✓	✓					A
Christian County School District						✓					A
Clark County School District	✓			✓		✓					A
Clay County School District	✓			✓						✓	TD
Clinton County School District				✓	✓	✓					A
Crittenden County Board of Education											A
Cumberland County School District			✓	✓							A
Daviess County School District			✓	✓			✓				TD
Edmonson County School District	✓		✓	✓	✓	✓					A
Elliott County School District	✓				✓						A
Estill County School District											A
Fayette County School District	✓		✓	✓				✓			TD
Fleming County School District	✓		✓	✓	✓	✓					TD
Floyd County School District	✓			✓		✓				✓	A
Franklin County School District	✓		✓	✓						✓	A
Fulton County School District	✓			✓							A
Gallatin County Board of Education	✓		✓	✓						✓	A
Garrard County School District	✓		✓	✓							A
Grant County Board of Education						✓					A
Graves County School District										✓	A
Grayson County School District	✓			✓		✓					A
Green County School District	✓		✓	✓		✓				✓	A
Greenup County School District	✓		✓	✓		✓				✓	A
Hancock County School District	✓		✓	✓		✓				✓	A
Hardin County Board of Education	✓		✓	✓				✓		✓	A

AUDIT REPORT TRACKING LOG

School District or Other Entity	I. Prior Year Findings & Other Matters	II. Qualification & Independence	IIIA. Reporting - Independent Auditor's Report	IIIB. Reporting - GAAS	IIIC. Reporting - A-133	IIID. Reporting - Schedule of Expenditure of Federal Awards	IIIE. Reporting - Schedule of Findings & Questioned Costs	IIIF. Reporting - Corrective Action Plan	IIIG. Summary Schedule of Prior Audit Findings	IIIH. Management Letter	Conclusion
Harlan County School District	✓			✓		✓				✓	S
Harrison County Board of Education											A
Hart County School District	✓		✓	✓						✓	A
Henderson County School District	✓			✓	✓	✓	✓			✓	TD
Henry County School District	✓		✓	✓		✓					A
Hickman County School District	✓			✓							A
Hopkins County School District				✓	✓						A
Jackson County School District	✓			✓		✓					A
Jefferson County Board of Education	✓		✓	✓		✓					TD
Jessamine County School District											A
Johnson County School District	✓			✓	✓		✓		✓	✓	TD
Kenton County School District	✓					✓					A
Knott County School District	✓				✓	✓				✓	TD
Knox County School District	✓					✓					A
Larue County School District	✓		✓	✓						✓	A
Laurel County School District	✓			✓		✓					A
Lawrence County School District	✓			✓	✓	✓	✓			✓	A
Lee County School District											A
Leslie County School District	✓		✓	✓	✓	✓					A
Letcher County School District											A
Lewis County School District			✓	✓	✓		✓	✓		✓	S
Lincoln County School District	✓		✓	✓			✓			✓	TD
Livingston County School District										✓	TD
Logan County School District	✓		✓	✓	✓	✓					A
Lyon County School District						✓					A
Madison County School District											A
Magoffin County School District	✓				✓	✓				✓	TD
Marion County School District	✓		✓	✓	✓	✓				✓	A
Marshall County School District										✓	A
Martin County School District	✓			✓	✓		✓		✓	✓	TD
Mason County School District	✓					✓					A

AUDIT REPORT TRACKING LOG

School District or Other Entity	I. Prior Year Findings & Other Matters	II. Qualification & Independence	IIIA. Reporting - Independent Auditor's Report	IIIB. Reporting - GAAS	IIIC. Reporting - A-133	IIID. Reporting - Schedule of Expenditure of Federal Awards	IIIE. Reporting - Schedule of Findings & Questioned Costs	IIIF. Reporting - Corrective Action Plan	IIIG. Summary Schedule of Prior Audit Findings	IIIH. Management Letter	Conclusion
McCracken County Board of Education	✓			✓	✓	✓				✓	A
McCreary County School District	✓				✓						A
McLean County School District				✓							A
Meade County School District	✓		✓	✓	✓	✓				✓	A
Menifee County School District											A
Mercer County School District	✓		✓	✓	✓	✓				✓	A
Metcalfe County School District	✓			✓		✓					TD
Monroe County School District	✓			✓		✓					TD
Montgomery County School District											A
Morgan County School District			✓	✓			✓				S
Muhlenberg County School District				✓		✓					A
Nelson County School District	✓					✓	✓			✓	A
Nicholas County School District	✓			✓	✓	✓				✓	A
Ohio County School District	✓		✓	✓	✓	✓					A
Oldham County School District	✓		✓	✓							A
Owen County School District	✓		✓	✓	✓	✓				✓	TD
Owsley County School District	✓			✓		✓					A
Pendleton County Board of Education			✓	✓		✓					TD
Perry County School District	✓		✓	✓	✓	✓					A
Pike County Board of Education	✓				✓	✓				✓	TD
Powell County School District	✓		✓	✓	✓	✓					A
Pulaski County School District											A
Robertson County School District	✓		✓							✓	TD
Rockcastle County School District											A
Rowan County School District	✓		✓	✓						✓	A
Russell County School District			✓	✓							A
Scott County School District	✓					✓					A
Shelby County School District			✓	✓		✓				✓	A
Simpson County School District	✓		✓	✓	✓	✓					A
Spencer County School District	✓						✓			✓	A
Taylor County School District	✓			✓	✓	✓				✓	A

AUDIT REPORT TRACKING LOG

School District or Other Entity	I. Prior Year Findings & Other Matters	II. Qualification & Independence	IIIA. Reporting - Independent Auditor's Report	IIIB. Reporting - GAAS	IIIC. Reporting - A-133	IIID. Reporting - Schedule of Expenditure of Federal Awards	IIIE. Reporting - Schedule of Findings & Questioned Costs	IIIF. Reporting - Corrective Action Plan	IIIG. Summary Schedule of Prior Audit Findings	IIIH. Management Letter	Conclusion
Todd County School District	✓		✓	✓	✓	✓					A
Trigg County School District	✓					✓					A
Trimble County School District	✓			✓	✓	✓			✓	✓	TD
Union County School District	✓			✓	✓						A
Warren County School District	✓		✓	✓		✓					A
Washington County School District	✓		✓	✓	✓	✓				✓	A
Wayne County School District	✓		✓	✓		✓					A
Webster County School District	✓		✓	✓		✓					A
Whitley County School District											A
Wolfe County School District			✓	✓		✓					TD
Woodford County School District	✓					✓					A
Anchorage Independent School District	✓		✓	✓					✓	✓	TD
Ashland Independent School District	✓		✓	✓		✓				✓	A
Augusta Independent Board of Education	✓					✓					A
Barbourville Independent Schools	✓		✓	✓		✓	✓				TD
Bardstown Independent School District	✓		✓	✓			✓			✓	A
Beechwood Independent Board of Education			✓	✓		✓	✓				TD
Bellevue Independent School District	✓					✓					A
Berea Independent School District	✓		✓	✓		✓	✓			✓	TD
Bowling Green Independent School District	✓		✓	✓	✓	✓					A
Burgin Independent School District	✓		✓	✓					✓		TD
Campbellsville Independent School District				✓		✓					A
Caverna Independent School District	✓			✓							A
Cloverport School District	✓			✓		✓				✓	TD
Corbin Independent School District	✓			✓	✓						A
Covington Independent School District	✓					✓	✓				A
Danville Independent School District	✓		✓	✓						✓	A
Dawson Springs Independent Schools	✓			✓	✓					✓	A
Dayton Independent School District	✓		✓	✓	✓	✓		✓		✓	TD
East Bernstadt Independent School District	✓			✓	✓						TD
Elizabethtown Independent School District	✓		✓	✓		✓				✓	A

[illegible]

AUDIT REPORT TRACKING LOG

School District or Other Entity	I. Prior Year Findings & Other Matters	II. Qualification & Independence	IIIA. Reporting - Independent Auditor's Report	IIIB. Reporting - GAAS	IIIC. Reporting - A-133	IIID. Reporting - Schedule of Expenditure of Federal Awards	IIIE. Reporting - Schedule of Findings & Questioned Costs	IIIF. Reporting - Corrective Action Plan	IIIG. Summary Schedule of Prior Audit Findings	IIIH. Management Letter	Conclusion
Walton-Verona Board of Education	✓			✓	✓	✓	✓			✓	A
West Point Independent School District	✓		✓	✓							TD
Williamsburg Independent School District	✓		✓	✓		✓	✓				A
Williamstown Independent School District			✓	✓							A
Archdiocese of Louisville	✓		✓	✓	✓	✓					A
Audubon Area Community Service	✓		✓	✓		✓		✓		✓	TD
Central KY Community Action Council, Inc.	✓		✓	✓	✓	✓			✓	✓	TD
City of Owensboro			✓	✓	✓		✓			✓	A
Community Action of Southern Kentucky, Inc.	✓		✓	✓	✓	✓			✓		TD
Community Coordinated Child Care	✓		✓	✓	✓				✓		TD
Diocese of Covington	✓		✓	✓	✓	✓					A
Eastern Kentucky Child Care Coalition	✓		✓	✓	✓					✓	TD
Eastern Kentucky University	✓		✓	✓	✓				✓	✓	TD
Gateway Community Action Agency			✓	✓	✓	✓					A
Lake Cumberland Community Action Agency			✓	✓	✓	✓					TD
Murray State University	✓		✓	✓	✓	✓				✓	A
Northern Kentucky University	✓		✓	✓	✓	✓				✓	A
University of Kentucky	✓		✓	✓	✓					✓	TD
University of Louisville	✓		✓	✓	✓	✓				✓	A
Totals for Each Area	141	0	94	141	67	109	23	5	10	81	

Notes:

- Big Sandy Area Community Action and Children, Inc. were not audited in FY09 because they expended less than \$500,000.
- Louisville Community Action was audited by the Auditor of Public Accounts in FY09.

Common Problem Areas

Prior Year Findings and Other Matters

Uncorrected prior year findings accounted for many of the issues noted under the “Prior Year Findings and Other Matters” category.

Reports

Issues noted related to categories “Reporting - Independent Auditor's Report, Reporting – GAAS,” and “Reporting - A-133” often relate to the language in the reports. One or more of the three reports (the Independent Auditor’s Report, Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with Circular A-133) did not contain the entire statement that the audit was conducted in accordance with *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor’s Contract – General Audit Requirements, and Appendix II to the Independent Auditor’s Contract - State Audit Requirement*. The contract requires this complete statement.

The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* did not include the following statement, “In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor’s Contract – State Audit Requirements*.” This is also a contract requirement.

Schedule of Expenditures of Federal Awards(SEFA)

The identification of pass through numbers on the SEFA, especially for noncash programs, was a common issue noted during the desk reviews.

Management Letters

The management letters not addressing prior year findings, or management letter findings not including all of the required elements of a finding (a statement of deficiency(ies), the criteria for the deficiency(ies), the cause of the deficiency(ies), the effect of the deficiency(ies), a recommendation for correction(s) and management's response to the recommendation), were common problems noted. Both of these areas are required to be included in the management letter by the contract. If the management letter is missing, this area was considered technically deficient.

Summary of Deficient Reports

There were 43 audit reports marked technically deficient and five (5) marked substandard.

Comments on Substandard Reports

Five of the audit reports were classified as substandard due to differences between the information in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* opinion letter and the Schedule of Findings and Questioned Costs.

Comments on Technical Deficiencies

There were 43 audit reports deemed technically deficient.

- Five (5) reports were classified as technically deficient due to large math errors in the financial statements.
- Sixteen reports were due to errors in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Some reports were missing important sentences or entire paragraphs or using incorrect verbiage. Other reports included findings which should be reported in the Schedule of Findings and Questioned Costs instead of the report.
- Five (5) reports were classified as technically deficient because the management letters contained conflicting information about significant deficiencies reported.
- Six (6) reports were missing the Summary Schedule of Prior Audit Findings.
- Three (3) reports were missing management letters.
- Two (2) reports had discrepancies within the sections of the Schedule of Findings and Questioned Costs.
- One (1) report was missing both the Schedule of Prior Audit Findings and management letter.
- One (1) report contained incorrect wording in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; was missing a significant sentence from the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with Circular A-133; and the management letter was missing.

Comments on Technical Deficiencies (Continued)

- One (1) report was missing a significant sentence from the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with Circular A-133.
- One (1) report had multiple errors in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with Circular A-133.
- One (1) report had dating discrepancies between the Independent Auditor's Report and Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- One report had discrepancies between the Schedule of Findings and Questioned Costs; the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with Circular A-133.

